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FIRST COUNTRY COOPERATION FRAMEWORK FOR BRAZIL (1997-1999)

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INTRODUCTION

1. The first country cooperation framework (CCF) for Brazil will cover the period 1997-1999, which coincides with the Government's 1996-1999 Multi-Annual Plan. The CCF was prepared by the Brazilian Cooperation Agency, taking into account the advisory note presented by UNDP to the Government. The advisory note proposed a six-year strategy, taking into consideration, among other things, the complexity of the country's development process, lessons drawn from previous country programmes, new opportunities under the successor programming arrangements, as defined by the Executive Board in its decisions 94/14, 95/22 and 95/23, the initial assessment of available resources for the period 1997-1999, and the insights of the 1996 Human Development Report for Brazil.

2. In elaborating the CCF, the Brazilian Cooperation Agency consulted with relevant government organizations and considered the profile of bilateral cooperation. The CCF outlines a sustainable development programme that is fully in line with (a) the Government's 1996-1999 Multi-Annual Plan, (b) the UNDP sustainable human development (SHD) mandate, and (c) the national execution/government-financed modality of cooperation for development.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

3. The experiences of the high-growth period of 1960-1980 and the crisis years of the "lost decade and a half" that followed are highly instructive when viewed in conjunction with current economic development changes. Impressive increases in average annual per capita income at a rate of 3 per cent per year in the 1970s were followed by a period of stagnation during the period 1979-1984. In succeeding periods, per capita income growth proved highly unstable: during the period 1985-1989, per capita income grew at a rate of 2.4 per cent per year; during the period 1990-1994, per capita income declined at a rate of 0.6 per cent per year. The impressive growth rates of previous decades had been financed by external savings and huge public investments. Subsequently, the crisis in international liquidity had negative consequences on Brazilian public finances, paralysing investment initiatives in basic infrastructure, social policies and strategic state enterprises. Meanwhile, annual public borrowing requirements kept increasing, exceeding 5 per cent of gross domestic product in the latter half of the 1980s. Serious financial constraints emerged in meeting the servicing requirements of the accumulated foreign debt that had fed the rapid growth process of the previous decade. Critical public investments were abandoned; short-term macroeconomic adjustments led to the control of aggregate output well below aggregate demand. Brazil entered into a period of hyperinflation, with devastating effects on the country's social and economic fibre. The introduction of the Real Plan radically altered the prevailing macroeconomic conditions, reducing inflation, renewing access to foreign savings and financial investment, and increasing salaries and wages. At the same time, however, the fiscal situation deteriorated further and current external deficits increased. The need to reverse the risks for socio-economic development, including the profile of income distribution, constitutes one of the key challenges Brazil's economy faces today.

4. The present demographic transition under way in Brazil projects a population of approximately 170 million in the year 2000 growing at 1.6 per cent annually. Between the years 2000 and 2010, the population will grow at an annual rate of approximately 1.2 per cent per year, reaching about 191 million in 2010. Between the years 2010 and 2020, with an annual population growth rate of 1 per cent, the country's population will reach approximately 211 million. In the next 25 years, Brazil is expected to have the largest economically active population in its history, both in absolute terms and in relation to its dependent population. This presents a great opportunity for qualitative changes in social policies.

5. With 159 million inhabitants and 8.5 million square kilometres, Brazil is a country of dramatic contrasts. The 1996 Human Development Report for Brazil shows that human development index (HDI) indicators vary greatly within and among regions. Regions with the best indicators include those in the south, the south-east and the central-west, with an average HDI equivalent to those of Argentina and Chile, followed by the north of Brazil, with an HDI equivalent to that of the Libyan Arab Jamahiriya. The regions with the lowest HDI include four northern and north-eastern states, followed by the rest of the north-east, which has an HDI equivalent to that of El Salvador or the Republic of Congo. Overall life expectancy at birth has been estimated at 66.3 years, with an adult literacy rate of 79.9 per cent, an infant mortality rate of 87 per 1,000 live births, and a per capita income equivalent to $3,640. In the global Human Development Report 1996, Brazil led the group of countries with medium HDIs, and ranked 58 out of a total of 174 countries.

6. While the educational profile of the country has been improving over the last several decades, improvement in the quality of primary school education still constitutes one of the top national development goals. On a per capita basis, the national average of Brazilian health expenditures is well below corresponding figures for countries such as Costa Rica and Venezuela. Seventy-two per cent of the population had access to health services in 1990. Between 1994 and 1995, 87 per cent of the population had access to safe drinking water and 83 per cent to adequate sanitation. With the acceleration of internal migration, manufacturing activities and the growth of urban areas, the risk of damage to the environment has increased. The development of human settlements in new areas and the expansion of agriculture and livestock farming are having a negative impact on air, water, the soil and forests. But significant decreases in the rates of deforestation and forest fires have been registered in the last few years. Expenditures in science and technology today account for about 1.2 per cent of the gross national product. Up to the middle of the 1980s, Brazil increased its share of international trade, becoming the seventeenth largest exporter, accounting for 1.5 per cent of the world's exports. However, by the beginning of the 1990s, with a decline in its share of international trade to 1 per cent, Brazil ranked twenty-third. Brazil is not yet competitive in technology-intensive industries.

7. In light of the above, the Government considers that the first CCF should focus on three broad objectives: (a) the promotion of initiatives to strengthen social cohesion to ensure Brazil's political, economic, social and environmental long-term sustainability, including a focus on issues related to gender, indigenous populations and minority groups; (b) the improvement of basic

economic, social and environmental infrastructure to ensure the maximization of human capacities for SHD; and (c) the advancement of governance, by supporting the reform and modernization of the State, thereby creating and strengthening the capacity to implement national development programmes.

8. The 1996-1999 Multi-Annual Plan, which provides an overall framework for the first CCF, defines the following development strategies: (a) the modernization of the productive sector and the strengthening of Brazilian international competitiveness through the opening of the economy and deregulation, while at the same time ensuring the competitiveness of national industries and the protection of consumers; (b) the reduction of social and regional inequalities by creating new employment opportunities, decreasing ineffective public expenditures, maximizing human and regional economic potentialities, improving infrastructure, strengthening basic and technical education, and improving the management of social programmes and public entities; and (c) the construction of a modern and efficient State, strengthening its role as regulator of the economy and in the use of natural resources, and enabling it to become a better distributor of the benefits of economic growth.

II. RESULTS AND LESSONS OF PAST COOPERATION

9. From technical assistance to development cooperation. During the last three decades, in response to constantly changing national and international environments, the role of UNDP in Brazil has evolved from that of a technical assistance funding organization to a more sophisticated development cooperation partner. With the drastic reduction of international donor funding for development programmes in Latin America, the Government of Brazil embarked on an innovative initiative to finance and manage its own national development programmes, in partnership with UNDP. A 1976 agreement between Brazil and UNDP paved the way for what is presently known as the cost-sharing/national execution modality. During the fifth cycle, the modality was consolidated and refined, with the Government gradually financing its own development programme, and "vertical" cooperation was replaced by "horizontal" cooperation. The Government has relied on UNDP for the required managerial, human and technical resources in the implementation of its development programmes, including sizeable investment projects. UNDP has responded by creating a new client-oriented organizational culture, with a focus on high-quality management. UNDP confirmed its intellectual credibility, adding substantive and operational value to projects, including technical inputs in the design of programmes, the formulation of specific project strategies, a focus on results and impact evaluation, and management and monitoring instruments to ensure that timely results are achieved.

10. UNDP/Government cooperation in Brazil showed that national execution is not merely a set of rules and regulations to perform a task. More importantly, it is a way of establishing innovative practices of partnership for development, using each partner's comparative advantages. Consequently, the country office adopted a new philosophy, based on flexibility and accountability. It trained and empowered its staff to assume more demanding roles in its partnership with the Government. As a result, one of the largest UNDP programmes in the world in

the 1992-1996 cycle doubled the amount of resources delivered yearly in the 1992-1994 period, reaching $121.8 million in total expenditures in 1996. To further support the growth in programme complexity, programming instruments were refined, including the development of a project formulation approach that focuses on strategies and results, rather than on activities per se, ensuring greater accuracy in evaluating impact. Operational mechanisms were also improved. The UNDP Local Contracts Committee (LCC), established in 1993, has been strengthened to ensure the highest quality, best prices and transparency of acquisitions, complementing existing government operational mechanisms within the national execution modality. National institutions intensified their roles in the execution of development cooperation programmes, and the Brazilian Cooperation Agency's Project Administration Unit improved its operational capacity, providing services and data on time. Non-governmental organizations, community-based organizations and United Nations specialized agencies also participated in the execution of the fifth country programme.

11. Impact of the fifth country programme. The fifth country programme focused on: (a) the formulation of national development strategies, including technologies; (b) the modernization and decentralization of the State, to improve its management capacity and strengthen democracy; (c) national programmes promoting the extension and improvement of social services in health and education; (d) the management of natural resources, energy conservation and the preservation of the environment; and (e) the provision of modern infrastructure to the productive sector.

12. The first human development report for Brazil, produced in 1996, revealed the existence of "three Brazils", a totally new analytical approach that contrasted sharply with the classical dichotomy that had been used to depict Brazil's economic and social development problems. The main findings and conclusions of the report stimulated nationwide discussions and provided new substantive and gender-sensitive inputs for policy dialogue at the federal, state and municipal levels. For the first time, available socio-economic indicators were disaggregated by gender. To illustrate the impact of the report, Minas Gerais has produced an analysis of the social conditions in its approximately 700 municipalities using HDI indicators, becoming the first Brazilian State to make available a methodologically rigorous basis for HDI comparison of its municipalities with others. Rio Grande do Sul has begun to use its number one position in terms of its HDI to attract foreign investments to the State. Santa Catarina has also completed an analysis of the level of state development using a social development index that includes HDI indicators for its 260 municipalities.

13. Through the provision of enabling conditions for improved management capacity in major national social programmes, the fifth-cycle country programme contributed to, among other things: (a) a significant reduction in morbidity and mortality rates for malaria and other endemic diseases, saving an estimated 8,000 lives annually and $7 million in treatment costs; (b) effective control of sexually transmitted diseases and HIV/AIDS, through prevention measures, adequate care and up-to-date treatment; (c) the adoption of national curriculum parameters for primary education and the establishment of a national system to evaluate the quality of educational institutions and the performance of students; (d) improved capacity of teachers and quality of teaching materials in

the north-eastern part of Brazil; and (e) the overhaul of the São Paulo State education system, benefiting 2.7 million students and 54,000 public schoolteachers.

14. In Paraná, UNDP cooperation with the State's urban development programme has contributed to reversing migration flows from rural to already overcrowded urban centres. Paraná's innovative programme in support of decentralization enables municipal associations and local governments to assume responsibility for their own local development. The fifth-cycle programme made the use of electronic voting viable, helping to ensure the transparency of the 1996 municipal elections. The training of female candidates for the 1996 municipal elections resulted in an increase in the number of female mayors elected from 171 in 1992 to 302 in 1996, as well as an increase in the number of female municipal councillors from 3,085 in 1992 to 6,536 in 1996. The programme also made a significant contribution to legislation regulating water resources and river basin management; the planning and management capacity to cover 8,500 kilometres of coastal areas in 17 states; the demarcation of 31 conservation units, 22 extractive reserves and 18 forest reserves; and the reduction of atmospheric pollution by 3 million tons of carbon dioxide emissions.

15. The Government took advantage of the neutrality and capacity of UNDP to link with national and international partners. It also relied heavily on the efficiency of UNDP to manage development projects, a process through which national capacity for planning, management and execution of development programmes was strengthened. The UNDP capacity to mobilize valuable human resources and to assemble well-balanced high-level technical teams capable of providing viable alternatives for policymakers was also viewed as a positive contribution to national development programmes. UNDP also assisted in the design and formulation of complex, non-traditional projects, in areas where national expertise was rare. Despite the progress made, the strengthening of national capacity in planning and management continues to require UNDP support.

16. The provision of technical inputs by United Nations specialized agencies was not fully explored during the fifth cycle, in part due to the complicated financing mechanisms for their participation. However, several joint national and regional project activities were undertaken. Effective coordination arrangements at the local level allowed for the identification and formulation of investment programmes with the International Bank for Reconstruction and Development (IBRD) and the Inter-American Development Bank (IDB). Approximately half of the fifth country programme was financed from cost-sharing resources from IBRD and IDB loans.

III. PROPOSED STRATEGY AND THEMATIC AREAS

17. The Government proposes to reinforce the valuable role of UNDP as a development partner within the CCF in the following strategic lines of action: (a) support to national capacity development in policy formulation, implementation and evaluation of critical national programmes aimed at improving SHD in the country; (b) the promotion of discussions on the concept of SHD with the Government, universities, research institutions and civil society, and the implementation of development policies and strategies that contribute to the

advancement of the country, complementing national efforts to tackle Brazil's most pressing social problems; (c) the provision of an honest, unbiased forum for the promotion of a better understanding of sensitive issues; (d) the identification of windows of opportunity and support to innovative initiatives in critical development areas that have the potential to become high-impact replicable programmes; (e) assistance in the implementation of global initiatives in which Brazil is an active participant; and (f) the promotion of synergy between activities undertaken under CCF and UNDP regional and technical cooperation among developing countries (TCDC) initiatives. UNDP cooperation, as defined in sections A-C below, is conceived in the form of a matrix that links the strategic objectives of UNDP/Government partnership, the development objectives of the 1996-1999 Multi-Annual Plan, and the thematic areas where projects will be incorporated. This will facilitate the development of indicators to improve measurement of programme impact at various phases of the cycle. UNDP cooperation in the thematic areas outlined below will also take into account gender considerations.

A. Social cohesion and the reduction of poverty

18. The degree of regional integration is a critical determinant in the country's social cohesion and its overall development strategy. UNDP/Government cooperation will address the reduction of the current serious regional inequalities by supporting the creation, consolidation and replication of best practices to enhance local economic development, including the strengthening of the associations and cooperatives of small-scale producers. Regional development combined with more equitable social policies will help to reduce poverty and increase regional and local HDIs. Educational attainment constitutes a strategic axis around which all other experiences of social cohesion evolve. A high social return may be expected when investments are made in the quality of education, especially at the primary level. Universal access to education is, moreover, a prerequisite to the full exercise of citizenship. UNDP will continue to support the Government in its efforts to improve the quality of education, especially at primary levels, and the consolidation of the evaluation culture in the education system. In the health sector, the Government has set two fundamental objectives: (a) significant improvement in sanitary conditions, with special emphasis on halving infant mortality rates and substantially enhancing preventive health care; and (b) deepening the decentralization process to improve the responsiveness of the health care system to actual needs, as well as the efficacy and quality of services rendered. UNDP will also focus on the distribution of health expenditures between prevention and curative measures; enhancing management capacity to deal with endemic diseases, sexually transmitted diseases and HIV/AIDS; and establishing enabling conditions for local governments to assume responsibility for the management of their health and sanitation problems. Improvement in health indicators will raise HDIs at both local and national levels.

19. Overcoming the inefficient management of social programmes constitutes a major challenge to improving social conditions. More efficient public spending on social services can mitigate some of the consequences of social and economic inequalities and poverty. It can also induce broader redistributive mechanisms and facilitate efforts to move out of poverty. UNDP will support the setting up

of databases and information systems to enable the Government to identify more accurately bottlenecks in the implementation of social programmes.

20. UNDP will also provide support for important reforms of the judicial system and public security, such as the implementation of the National Human Rights Programme and the Modernization of the Federal Police Programme. UNDP will continue to support the improvement of electoral mechanisms to hinder fraud, as well as efforts to empower women, by preparing them for the municipal elections in the year 2000.

B. Modernization of socio-economic infrastructures and sustainable environmental development

21. Rural development needs to improve significantly, since half of Brazil's poor live in rural areas and half of the country's rural population live in the north-east. UNDP will cooperate with the Government in implementing a land reform programme that will benefit some 280,000 families over the next four years. UNDP will continue to support the protection of indigenous and traditional populations and their lands, as well as their capacity development for sustainable livelihoods. UNDP will also support integrated urban development programmes at the state level and assist the Government in undertaking urban policy studies and research to provide inputs in the policy and planning process at both the central and local levels, helping to create new job and income-generating opportunities.

22. The sustainable use of natural resources and the effective conservation of biodiversity are crucial elements for the country's development. UNDP will continue to play a central role in cooperating with the Government in its endeavour to promote the sustainable use of its natural resources, while at the same time protecting the environment. UNDP will concentrate its overall support on the planning, coordination and implementation of national environmental policies, improving national capacity for learning, and exploring the country's natural resources, with particular emphasis on: (a) the management and conservation of the most threatened ecosystems, such as those in Pantanal, Caatinga, rain forests and coastal areas; (b) the adequate management of water and soil resources; and (c) the conservation of biodiversity and the sustainable use of forest and mineral assets.

23. With financing from the Global Environment Facility and the Montreal Protocol, UNDP will also support: (a) government commitments to international environmental agreements; (b) capacity development for the identification, formulation, management, implementation and monitoring of environmental plans and programmes, including at the decentralized level; (c) the development of clean, alternative and environmentally safe technologies in the production, commercialization and industrialization of natural resources; (d) the regeneration of environmentally deteriorated urban and rural areas; (e) the implementation of alternative energy sources and innovative technologies associated with energy efficiency and conservation; and (f) environmental activities sponsored by multiple and diverse national and international organizations.

C. Governance and the establishment of a modern and efficient State

24. The Government has focused on redefining its role as regulator rather than executor of economic and social activities, emphasizing the development and strengthening of decentralization policies and privatization mechanisms. UNDP cooperation will support decentralization efforts through the development of the capacities of state and municipal institutions to assume responsibilities in the planning, management and implementation of major social programmes. UNDP will support the Government's Fiscal Modernization Programme, which includes all 26 states of the federation, as well as the Federal District. Fiscal and tax reforms are expected to result in healthy public finances, equipping States with the means to provide basic high-quality social services and reduce social inequalities. UNDP will cooperate in the elaboration of alternative scenarios and the formulation of a long-term strategic national plan for the year 2020. In continuing to produce the national human development report, UNDP will provide policy makers with valuable planning instruments and human resources fully conversant with the SHD paradigm, contributing to the adoption of SHD policies at all levels of government. UNDP will continue to cooperate with the National Economic and Social Development Bank in strengthening its role as the main investment development bank in the country and the coordinator of the Government's privatization programme.

25. UNDP support will add to government efforts to integrate science and technology with industrial and education policies, as well as stimulate capacities for innovation in the productive sector, especially in the areas of information and automation, the development of environmentally safe alternative technologies and energy conservation programmes. The setting up of an information network opens up a myriad of possibilities for new business and job opportunities, particularly within the micro-enterprise sector. UNDP will thus continue to support strategic development efforts in information technologies and the Brazilian Information Society Programme.

IV. MANAGEMENT ARRANGEMENTS

26. Execution and implementation. The first CCF will continue to be nationally executed and implemented through government and non-governmental institutions and the private sector, in close coordination with the Government. Cooperation with other United Nations agencies will also be strengthened. Support will be provided for national efforts in utilizing programme results to strengthen TCDC activities and bilateral programmes, in line with the Governments SHD objectives.

27. Monitoring and review. The CCF will be subject to a triennial review, as well as thematic and in-depth, independent substantive evaluations of major programmes. The design of the programme in a matrix array, as mentioned in paragraph 17 above, allows for the manipulation of quantitative information to improve overall programme evaluation. Project audits by the Federal Audit Board will also continue. Management tools based on high-quality information technology will be refined, and qualitative and quantitative indicators will be improved. Based on Internet technology, an on-line system for planning, the

provision of inputs, and implementation targets for the projects will be fully implemented by the end of 1997.

28. Resource mobilization. UNDP programme delivery in the fifth cycle grew from $21 million in 1992 to $121 million in 1996. For the entire cycle, each $1 of strategically allocated indicative planning figure resources was matched by $36.9 from the Government. The UNDP orientation towards results, its focus on national capacity-building, and its credibility and trustworthiness have attracted new partners and clients. Recognizing the positive impact of this type of partnership on the development process, the Government, as partner and client, intends to continue financing its own cooperation projects with UNDP. In addition, a solid relationship with the development banks (the World Bank and IDB) will ensure that projects have an effective social impact, commensurate with the resources and commitments involved.

29. Initial target for resource assignment from the core (TRAC) and other core funds for the period covered by the first CCF are shown in the annex. An estimate of funds from other sources, including the Government, is also presented. The policy of coordinating other resources for activities under the CCF will continue particularly with regard to those resources from other organizations of the United Nations system, including the United Nations Population Fund, the United Nations Development Fund for Women, the United Nations International Drug Control Programme, the Global Environment Facility, and the Multilateral Fund for the Implementation of the Montreal Protocol.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR BRAZIL (1997-1999)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	(209)	
TRAC 1.1.1	2 274	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
Other resources	20	
SPPD/STS	199	
Subtotal	2 284[a]	
NON-CORE FUNDS		
Government cost-sharing	525 000	
Sustainable development funds	20 170 of which: GEF 6 562 Montreal Protocol 13 608	
Funds, trust funds and other	4 400 of which: EEC 3 000 UNIFEM 1 400	
Subtotal	549 570	
GRAND TOTAL	551 854[a]	

[a] Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: EEC = Economic European Commission; GEF = Global Environment Facility; IPF = indicative planning figure; SPPD = support for policy and programme development; STS = support for technical services; TRAC = target for resource assignment from the core; UNIFEM = United Nations Development Fund for Women.